



Billing Code 3110-01

OFFICE OF MANAGEMENT AND BUDGET

48 CFR Part 9904

Conformance of the Cost Accounting Standards to Generally Accepted Accounting

Principles for Operating Revenue and Lease Accounting

AGENCY: Cost Accounting Standards Board, Office Federal Procurement Policy, Office of Management and Budget.

ACTION: Advance Notice of Proposed Rulemaking

SUMMARY: The Office of Federal Procurement Policy (OFPP), Cost Accounting Standards Board (Board), is publishing this document to announce the availability of an advance notice of proposed rulemaking to address the potential conformance of the Cost Accounting Standards (CAS) to Generally Accepted Accounting Principles (GAAP) for operating revenue and lease accounting. This ANPRM follows the issuance of a Staff Discussion Paper (SDP) published on March 13, 2019.

DATES: Comments must be in writing and must be received by **[INSERT DATE 60 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER]**

ADDRESSES: Due to delays in OMB's receipt and processing of mail, respondents are strongly encouraged to submit comments electronically to ensure timely receipt. Electronic comments should be submitted to CASB@omb.eop.gov. Be sure to include your name, title, organization, and reference case CASB2020-02. If you must submit by regular mail, please do so at Office of Federal Procurement Policy, 725 17th Street NW, Washington, DC 20503, ATTN: Mathew Blum.

Please note that all public comments received are subject to the Freedom of Information Act and will be posted in their entirety, including any personal and/or business confidential information provided. Do not include any information you would not like to be made publically available.

FOR FURTHER INFORMATION CONTACT: Mathew Blum, Cost Accounting Standards Board (Telephone 202-680-9579; email mblum@omb.eop.gov).

Availability: The full text of the ANPRM, including the Board's response to public comments on the SDP and the draft proposed amendments to the Cost Accounting Standards, is available on the Office of Management and Budget homepage at: https://www.whitehouse.gov/omb/management/office-federal-procurement-policy/#_Office_of_Federal_5.

SUPPLEMENTARY INFORMATION:

I. Regulatory Process

Rules, regulations and standards issued by the Board are codified at 48 CFR Chapter 99. Pursuant to 41 U.S.C. 1502(c), the Board, prior to the establishment of any new or revised CAS, is required to complete a prescribed rulemaking process. The process generally consists of the following four steps:

1. Consult with interested persons concerning the advantages, disadvantages and improvements anticipated in the pricing and administration of Government contracts as a result of the adoption of a proposed standard.
2. Promulgate an Advance Notice of Proposed Rulemaking (ANPRM).
3. Promulgate a Notice of Proposed Rulemaking (NPRM).
4. Promulgate a Final Rule.

II. Background and Summary

The Board is releasing an ANPRM addressing how CAS might be modified to conform to the changes to GAAP that occurred after a related CAS was promulgated. In accordance with 41 U.S.C. 1502(c), the Board is required to consult with interested persons concerning the advantages, disadvantages, and improvements anticipated in the pricing and administration of government contracts as a result of the adoption of a proposed standard prior to the promulgation of any new or revised CAS.

On March 13, 2019 (84 FR 9143), the Board published a SDP to solicit information and viewpoints on how to implement the Board's statutory requirement to review and conform CAS to GAAP to the maximum extent practicable. Among other things, the SDP asked commenters what recommended actions, if any, the Board should take regarding the changes in GAAP for operating revenue and lease accounting rules that occurred after CAS was promulgated. Three respondents urged the Board to give these issues the highest priority in the CAS-GAAP conformance initiative. They were concerned that if recent changes in GAAP are inconsistent with CAS, there may be inadvertent CAS violations, confusion over CAS requirements, inconsistent treatment among contractors, and additional costs to maintain separate accounting practices for GAAP and CAS.

The Board appreciates these comments and recognizes the need to take timely action to resolve the potential confusion on the interpretation of CAS as a result of changes in GAAP addressing operating revenue and lease accounting rules. Accordingly, this ANPRM requests public comment on proposed revisions that are being considered to (i) align CAS with GAAP on the handling of operating revenue and (ii) clarify CAS definitions to make clear that GAAP changes on lease accounting are not recognized for CAS purposes.

III. Public Comments

Interested persons are invited to provide input on the ANPRM. All comments must be in writing and submitted as instructed in the **Addresses** section.

In commenting on the ANPRM, the Board encourages respondents, and especially entities that are covered by CAS, to discuss what, if any, burdens they believe would be added or reduced if the ANPRM was finalized as described below. Specifically, the Board seeks to understand what, if any, burden is created or reduced for contractors by relying solely on the GAAP definition of operating revenue and deleting the more detailed CAS definition. Similarly, the Board welcomes feedback regarding any burden that is expected to be created or reduced for contractors by making clear that property formerly classified as operating leases and reclassified as right-of-use assets should be excluded from treatment as intangible capital assets and tangible capital assets for CAS.

IV. Paperwork Reduction Act

The Paperwork Reduction Act, Public Law 96-511, does not apply to this draft proposed rule, because this rule imposes no paperwork burden on offerors, affected contractors and subcontractors, or members of the public which requires the approval of OMB under 44 U.S.C. 3501, et seq.

V. Executive Orders 12866 and 13563 and the Regulatory Flexibility Act

Executive Orders (E.O.s) 12866 and 13563 direct agencies to assess all costs and benefits of available regulatory alternatives and, if regulation is necessary, to select regulatory approaches that maximize net benefits (including potential economic, environmental, public health and safety effects, distributive impacts, and equity). E.O. 13563 emphasizes the importance of quantifying both costs and benefits, of reducing costs, of harmonizing rules, and of promoting

flexibility. Because the affected contractors and subcontractors are those who are already subject to CAS and the draft proposed rule would seek to rely more heavily on GAAP, which these contractors are using in their commercial transactions, the economic impact of this draft proposed rule on contractors and subcontractors is expected to be minor. Accordingly, this is not a significant regulatory action and, therefore, is not subject to review under section 6(b) of E.O. 12866, Regulatory Planning and Review, dated September 30, 1993.

Michael E. Wooten

*Administrator for Federal Procurement Policy, and
Chair, Cost Accounting Standards Board.*

[FR Doc. 2020-22904 Filed: 11/4/2020 8:45 am; Publication Date: 11/5/2020]